



27 April 2007

Summary of Consolidated Financial Statements for the Financial Year Ended 31 March 2007

Listed company's name: **Shinko Securities Co., Ltd.**

Code No.: 8606

(URL: <http://www.shinko-sec.co.jp/>)

Representative: Takashi Kusama, President

Contact: Akihiko Furuta, General Manager of Treasury Dept. at (03) 5203-6000

The annual general meeting of shareholders will be held on 28 June 2007.

Dividend payments are scheduled to start on 29 June 2007.

The financial report is scheduled to submit on 28 June 2007.

Listed on: 1st sections of TSE, OSE, NSE

Location of head office: Tokyo

(Note) The amounts displayed below have been rounded off downwards to the nearest million yen.

1. Summary of Consolidated Business Results for the Financial Year Ended 31 March 2007 (1 April 2006 to 31 March 2007)

(1) Consolidated results of business activities

(Percentage figures represent the percentage increase/decrease on the previous year.)

	Operating revenues		Net operating revenues		Operating profit		Ordinary profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
Financial year to March 2007	146,794	(-4.0)	136,319	(-8.2)	23,786	(-39.4)	29,056	(-32.7)
Financial year to March 2006	152,915	(35.3)	148,520	(37.1)	39,263	(286.0)	43,184	(203.7)

	Net profit		Net profit per share	Net profit per share (diluted)	Return on Equity (ROE)
	mil. yen	%	yen	yen	%
Financial year to March 2007	21,935	(-37.3)	28.45	28.38	7.8
Financial year to March 2006	34,962	(351.8)	44.77	44.68	13.8

(Reference) Investment profit or loss on equity method:

Financial year to March 2007:

5 million yen

Financial year to March 2006:

217 million yen

(2) Consolidated financial status

	Total assets	Net assets	Equity ratio	Net assets per share
	mil. yen	mil. yen	%	yen
Financial year to March 2007	3,734,941	292,817	7.6	368.49
Financial year to March 2006	3,475,843	275,472	7.9	356.86

(Reference) Treasury stocks: Financial year to March 2007: 284,817 million yen Financial year to March 2006: -- million yen

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash & cash equivalents balance at term end
	mil. yen	mil. yen	mil. yen	mil. yen
Financial year to March 2007	-37,990	-13,986	53,418	121,014
Financial year to March 2006	-75,097	-8,278	149,448	117,524

2. Dividends

(Record date)	Annual dividend per share		Total dividend (annual)	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	Interim	Year end			
	yen	yen	mil. yen	%	%
Financial year to March 2006	12.00	12.00	9,248	26.8	3.6
Financial year to March 2007	12.00	12.00	9,275	42.2	3.3
Financial Year to March 2008 (Estimate)	TBD	TBD		—	

Summary of Consolidated Financial Statements for the Year Ended March 2007
Shinko Securities (8606)

3. Forecast of consolidated business results for the full financial year ending 31 March 2008 (1 April 2007 - 31 March 2008):

Because the main business activity of our corporate group is the buying and selling of securities, our earnings are strongly influenced by market conditions, etc. For this reason, we do not conduct forecasts of our business results.

4. Other

- (1) Transfer of significant subsidiaries during the period (Transfer of specific subsidiaries involving changes in the scope of consolidation -- None)
- (2) Changes in fundamental principles, procedures and methods of presentation for accounting processing involving the preparation of consolidated financial statements (Those noted under "Changes in Basic Important Matters for Preparation of Consolidated Financial Statements")

1) Changes involving the revision of standards, etc. Existing

2) Changes other than 1) above None

(Note) For details, please see "Changes in Basic Important Matters for Preparation of Consolidated Financial Statements" on P.19.

(3) Number of shares outstanding at the end of the year (common stocks):

1) Number of shares outstanding Financial year to March 2007 811,118,683 Financial year to March 2006 811,118,683
(including treasury stocks)

2) Number of treasury stocks: Financial year to March 2007 38,182,779 Financial year to March 2006 40,448,252

(Note) Please see "Per share information" on P.26 for the number of shares used as the basis for the calculation of net earnings (consolidated) per share.

(Reference) Summary of Non-consolidated Business Results

1. Summary of Non-consolidated Business Results for the Financial Year Ended 31 March 2007 (1 April 2006 to 31 March 2007)

(1) Non-consolidated results of business activities (Percentage figures represent the percentage increase/decrease on the previous year.)

	Operating revenues		Net operating revenues		Operating profit		Ordinary profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
Financial year to March 2007	137,514	(-4.8)	127,358	(-9.4)	22,456	(-38.8)	25,856	(-34.2)
Financial year to March 2006	144,506	(35.5)	140,524	(37.0)	36,711	(321.3)	39,292	(235.6)

	Net profit		Net profit per share	Net profit per share (diluted)
	mil. yen	%	yen	yen
Financial year to March 2007	19,574	(-37.8)	25.38	25.33
Financial year to March 2006	31,465	(367.2)	40.34	40.26

(3) Non-consolidated financial status

	Total assets	Net assets	Equity ratio	Net assets per share	Capital adequacy requirement ratio
	mil. yen	mil. yen	%	yen	%
Financial year to March 2007	3,689,766	274,465	7.4	355.09	427.5
Financial year to March 2006	3,426,214	267,319	7.8	346.38	399.4

(Reference) Treasury stocks: Financial year to March 2007: 274,465 million yen Financial year to March 2006: -- million yen

2. Forecast of non-consolidated business results for the full financial year ending 31 March 2008 (1 April 2007 - 31 March 2008)

Because the company's earnings are strongly influenced by market conditions, we do not conduct forecasts of our business results.

I. Business Results

1. Analysis of business results

The Japanese economy for this period transited with steady undertones in capital investment for domestic demand as well as gradual recovery in consumer spending. Following the summer period, on the other hand, a deceleration in exports was seen, affected by a slacking business climate among overseas countries, yet the overall economy resulted in a continued gradual upturn. The stock market experienced a temporary adjustment with a drop to the 14,200-yen level at the beginning of the period. However, following summer period, the market entered an upward trend supported by a rebound of foreign stocks and a movement of the exchange rate toward a weak yen, hitting a high at the 18,200 yen level in late February, an all-time high in 6 years and 9 months. Thereafter, triggered by a plunge in foreign stocks, the economy re-entered an adjustment phase; however, at the end of the period, stocks took an upward turn supported by stability in foreign stocks and expectations for firm corporate achievements ending at the 17,200 yen level.

On the other hand, the bond market rose to the 2.0% level at one time for 10-year government bond yields on the lifting of the zero interest rates by the Bank of Japan and a rise in overseas interest rates. After the lifting of the zero-interest rates in mid-July, the economy recovered its composure with stability in domestic commodity prices and lowered long-term interest at the global level. After the Bank of Japan implemented an additional rise in interest rates in February, interest rates fell affected by an adjustment of stock prices, but recovered again to nearly 1.7%-level.

Overseas, the US economy went through a significant adjustment in the residential market; however, consumption remained steady, supported by improved employment figures, holding deceleration to a moderate level. The European economy, based on export expansion, experienced a recovery in capital investment, resulting in a well-balanced expansion in domestic and foreign demand. As for the stock market, the US experienced a significant drop at the beginning of the period, thereafter continuing with steady growth from summer to the beginning of the year due to high expectations for an end to rising interest rates and steady business performances. However, at the end of February, opacity in future of economic deepened, causing a return to the adjustment stage once again and halting the upward trend. European markets experienced an upturn supported by recovery in economy and business performances and, after the adjustment at the end of period, it sustained stability. The bond market went through a temporary adjustment due to a rise in crude oil prices at the beginning of the year, and the US continued to raise interest; yet, supported by the expectation of interest and energy price drops after summertime, the US and European markets remained steady.

Under these circumstances, our corporate group earned consolidated operating revenues for this year of 146.794 billion yen (96.0% of the previous year), an ordinary profit of 29.056 billion yen (67.3%), and a net profit of 21.935 billion yen (62.7%). A brief breakdown of these results follows:

(1) Commissions and fees received

Commissions and fees received during this year totaled 91.115 billion yen (89.9%). A breakdown of this income follows:

- Brokerage commissions

The average daily turnover during this year in the sections 1 and 2 of the Tokyo Stock Exchange was 2.6833 trillion yen (116.4%). Our company brokered the sale of 7.551 billion shares of stock (65.8%) worth 12.3047 trillion yen (108.8%), while our group commissions on the same totaled 36.692 billion yen (64.7%). Commissions earned on bond brokering totaled 117 million yen (87.3%).

- Underwriting and selling fees

In the market for stock issues, our company underwrote and sold the stock of 94 newly listed companies during this year, and served as the lead manager in 21 of these cases. Moreover, with regard to J-REITs, we underwrote and sold the stock of 6 companies, serving as lead manager in 1 case.

We underwrote and sold secondary issues of stock for 59 public companies, serving as lead manager in 13 cases. Moreover, with regard to J-REITs, we underwrote the public offerings and secondary issues of 9 companies, serving as lead manager in 2 cases. As a result, our group's commissions from underwriting and selling stocks reached 7.098 billion yen (110.6%).

Regarding bonds, we lead managed 16 issues of FILP agency bonds, electric power company bonds, general corporate bonds and subordinated bonds of local banks. As a result, our commissions for underwriting and selling bonds totaled 1.119 million yen (104.3%).

- Offering, selling, and other fees and commissions

This income is made up chiefly of fees and commissions we earn selling investment trusts to our customers and service commissions.

In the area of distributed investment trusts, for which there is a strong demand among individual investors due to Japan's long-continuing low interest rates, we strengthened our lineup of products by newly offering the

“Shinko 7 Assets Balance Fund.”

In the area of equity investment trusts, the “Shinko Pure India Equity Fund” and “Southern Asia All Star Equity Fund” were introduced, eyeing the stock markets in China, India and other Asian countries that are expected to show growth. The “Nippon Steel Group Open” and “Nissay/Putnam US Growth Equity Fund” were also introduced.

In addition, we introduced “Seven Leaves Capital Preservation Fund-Principal Protection Strategy Ivy Clarus 2006-09 (USD),” a foreign investment trust that aims to obtain an absolute return through hedge funds and to guarantee the investor’s dollar-denominated principal at the time of redemption.

Furthermore, “Shinko Asset Management Wrap” (nicknamed “Long·AP”) into which we have been putting effort since December 2004, is a product that has been well-received by many customers, as a result of which the value and number of contracts for it, along with its asset balance, have continued to increase steadily. Together with variable annuity insurance, it is one of our company’s most important strategic products.

As a result, commissions from the sale of investment trusts reached 19.143 billion yen (114.9%). Other fees and commissions totaled 26.86 billion yen (132.6%).

(2) Trading profits

This year saw us earn trading profits of 8.019 billion yen (51.8%) on equity trading, and 34.084 billion yen (112.0%) on the trading of bonds and other instruments. Total trading profits thus stood at 42.104 billion yen (91.7%).

(3) Financial profit/loss

Deducting financial expenses of 10.474 billion yen (238.3%) from financial revenues of 13.303 billion yen (252.0%) gives a financial profit of 2.829 billion yen (320.1%).

(4) Selling, general and administrative expenses

During the year, transaction expenses including advertising expenses increased, while office expenses, depreciation, etc., also increased. As a result, selling, general and administrative expenses reached 112.532 billion yen (103.0%).

(5) Extraordinary profits and losses

As extraordinary profit, we recorded, among other things, 4.941 billion yen from the sale of investment securities, and 859 million yen in software licensing fees. As extraordinary losses, we recorded, among other things, a 385 million yen loss from the disposition of fixed assets, and 293 million yen in write-down of investment securities. Thus, overall, we posted an extraordinary profit of 4.561 billion yen.

2. Analysis of financial position

Factors such as an increase in trading securities meant net cash used in operating activities was 37.99 billion yen.

Net cash used in investing activities totaled 13.986 billion yen on factors such as an increase in new IT system investments.

Net cash provided in financing activities was 53.418 billion yen due to such factors as an increase in short-term loans payable and our issue of commercial paper.

As a result of these flows, the balance of cash and cash equivalents stood at 121.014 billion yen at the end of this year.

3. Our basic policy regarding profit distribution and dividends for the current/next year

Our company’s main goal is to maximize corporate value. Our basic policy with regard to profit distribution is to provide a variable dividend, based on the results in this year in question.

4. Risk related to business, etc.

Below we have described the various types of risk, related to our corporate group’s business, that, we believe, are important for investors to know in making investment decisions. In the name of providing investors with relevant information for investment decisions, we have also discussed some other matters besides those related to risk. Our corporate group, aware of the possibility of such types of risk occurring, endeavors to avoid them or, if they do occur, to deal with them effectively. Although future events might affect them, the views presented below are based on our best judgment as of the release date of this latest settlement of accounts.

- (1) Risk related to price fluctuations, etc., of securities
 - 1) Risk related to trading operations, etc.

Our corporate group conducts trading operations, etc., involving various financial products, including derivatives; and fluctuations, etc., in the related stock prices, interest rates and exchange rates can affect the group's business results and financial position.
 - 2) Risk related to underwriting operations

Our corporate group conducts underwriting operations for equities and bonds. When, in the offering and selling activities involved, a remainder of unsold securities occurs, it can cause a loss on their sale or appraisal and thus affect the group's business results and financial position as well.
 - 3) Investment securities

Our corporate group purchases stocks and other investment securities with the aim of holding them for a long time. When stock prices fall, investment capital depreciates and appraisal loss occurs, which can affect the group's business results and financial position.
- (2) Risk related to the worsening of the investment recipient's credit

Should the entity in which an investment is made default, etc., such things as nonperformance of a swap contract, damage to the capital invested in a bond, a delay in interest payments, etc., can ensue, resulting in a loss, and this in turn can affect business results and financial position.
- (3) Risk related to market shrinkage

When the stock market slumps, the volume of transactions may decrease, as may stock brokerage commissions. The issue market may also be similarly affected. Such a situation can have an impact on business results and financial position.
- (4) Risk originating in subsidiaries

Our company has various subsidiaries: Shinko Investment Co., Ltd., which conducts investment operations; Shinko Investment Trust Co., Ltd., which manages investment trusts; Shinko Building Co., Ltd., which operates a real estate business; Shinko Securities (U.S.A.) Inc., which is a overseas base, etc. Their business results or financial positions can be worsened due to changes in economic climates or market trends and other factors, and this in turn can affect the business results and financial position of our corporate group.
- (5) IT system risk and other types of operational risk

In accordance with our basic policy for IT system risk management, our company continually endeavors to strengthen our IT security in terms of preventing system malfunctions, improper computer use, etc. However, should unauthorized access from the outside, a fire, electrical circuit problems, or some other problem occur, then, depending on the extent of its damage to the system, it could affect our operations, which in turn could impact our business results and financial position.

Our company has prepared instruction manuals for its various operations, and we continually endeavor to strengthen our compliance system. However, should an employee be negligent in conducting operations or cause an accident or commit an irregularity, it could interfere with operations or generate a loss and thus affect our business results and financial position as well.
- (6) Risk related to legal violations

In our corporate group, compliance is one of the most important themes of management, and we are continually working to strengthen it. However, should an officer or employee intentionally or unintentionally violate a law, our relationship of trust with clients could be damaged. Moreover, should we as a corporation violate a law, we could be ordered by the regulatory authorities to restrict or cease our operations, which could result in lawsuits being brought against us by clients and our having to pay damages, which could in turn affect our business results and financial position.

(7) Risk related to management of client information, etc.

Our corporate group, by establishing in-house regulations and conducting educational activities for employees, seeks to instill a clear understanding about how personal information and confidential information should be managed. However, should client information, etc., be divulged outside the company, it could greatly damage the group's reputation and affect its business results and financial position as well.

(8) Risk related to a decline in credit rating and a worsening of the terms for obtaining credit

Should a rating agency lower our company's credit rating, it could be expected to restrict the amount, and increase the cost, of the capital and funds that we can raise, and could thus affect our business results and cash flows as well.

(9) Risk related to capital adequacy requirement ratio

Based on the Securities and Exchange Law, a securities company is required to maintain a capital adequacy requirement ratio of 120% or higher. If by chance this capital adequacy requirement ratio cannot be maintained, the company risks being ordered to discontinue business, etc. Furthermore, should the capital adequacy requirement ratio sharply decrease due to, for example, the posting of a loss caused by a deterioration of the business environment, then vigorously eliminating risk and pursuing profit so as to maintain the ratio will become difficult, and the possibility of losing profit opportunities will increase. As a result of this, moreover, the company's business activities could be affected, and its business results and financial position could be impacted as well.

(10) Regarding changes in the law

Our corporate group conducts its operations in accordance with current regulations. Future changes, etc., in laws, rules, political policies, customary practices, interpretations, or other societal standards could result in a situation that affects the group's conduct of operations and its business results and financial position as well.

(11) Regarding competition

The securities industry expects business opportunities to increase as a result of, among other things, various kinds of system reforms and the lifting of the ban against financial institutions conducting intermediary businesses. However, when business opportunities increase, so does competition in the industry, and companies from other industries also enter the fray, further intensifying the competition. If, in such a situation, our corporate group should be unable to prevail against the competition, its business results and financial position could suffer.

(12) Regarding retirement benefit obligations

Our corporate group's employee retirement benefit costs and obligations are calculated according to the discount rate, the expected rate of return on the investment of pension assets, and other factors set for the actuarial calculation. Should the yield on pension assets fall or their market value decline, or should the factors in the calculation be changed, it will affect the subsequent value of the costs and obligations.

(13) Event risk

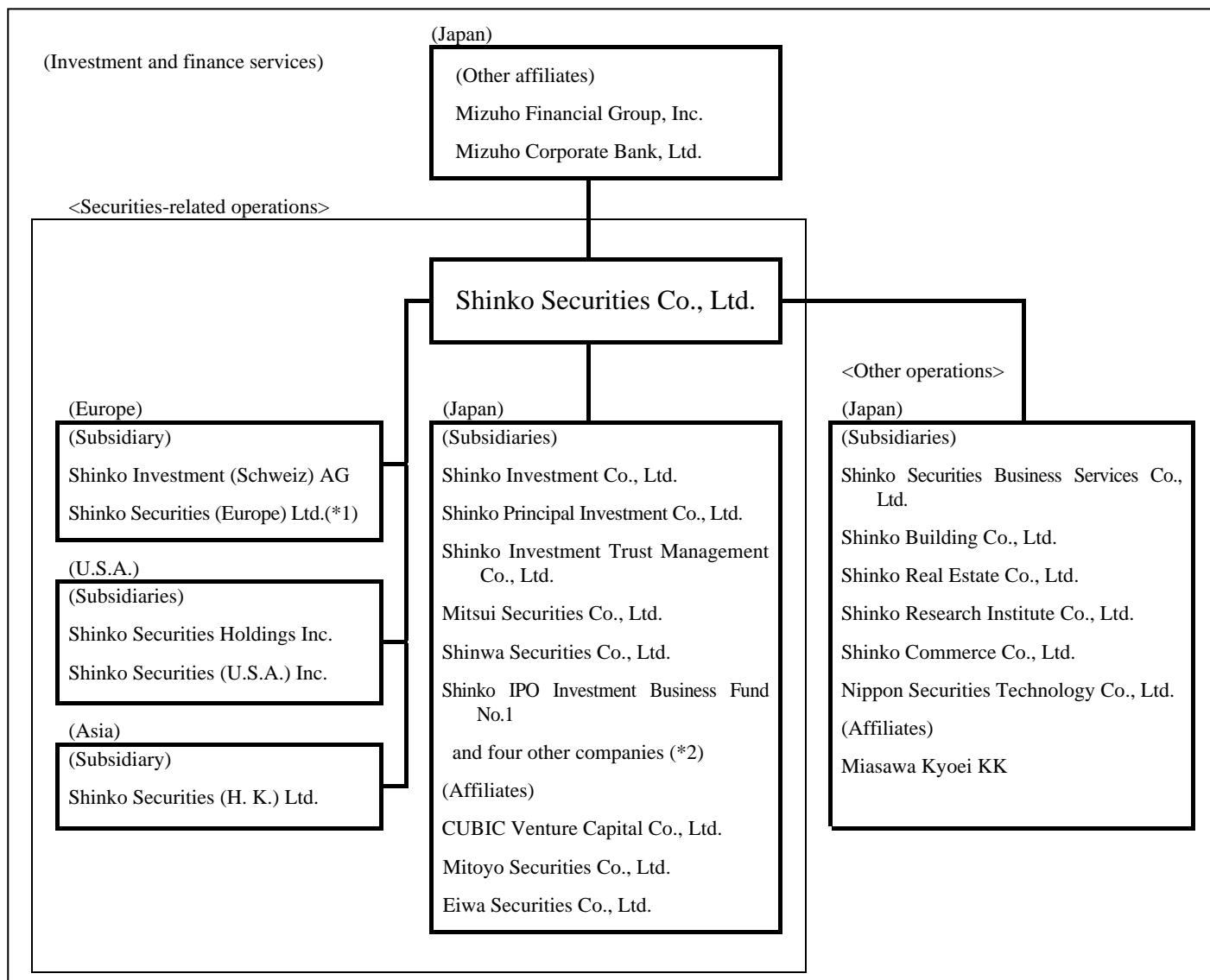
Our corporate group conducts business activities at branch offices and business offices both inside and outside Japan. Should a terrorist act, a disaster, or some other such event occur, part or all of those activities might have to be discontinued, which could affect the group's business results and financial position.

II. Our Corporate Group

Our corporate group is composed of 21 subsidiaries and 4 affiliates. The business activities of our company and of 15 of the subsidiaries and 3 of the affiliates consist mainly of trading securities, the commissioning of securities trading, the underwriting and selling of securities, offering and selling of securities, handling of private offerings, and other securities- and finance-related activities, as well as a wide range of services in the areas of raising and operating funds for customers. The other companies provide services related to and supportive of our company's activities, conduct market surveys and research, manage real estate, and more. Therefore, our corporate group's business activities all come under the single business segment of "investment and financial services."

All of our subsidiaries are consolidated companies, and the equity method is applied for all of our affiliates, except Misawa Kyoei KK.

Organizational Diagram of Corporate Group



*1 Shinko Securities (Europe) commenced closing procedures in March 2007.

*2 Shinko IPO Investment Business Fund No.1 and the four other companies became consolidated subsidiaries from the financial year ended March to 2007.

III. Business Policy

1. Our Basic Business Policy

Our corporate group's main field of business is the securities industry and related areas. In this field we provide a full line of services, from retail to wholesale, as a general securities company having multiple, integrated functions. As a securities company in the Mizuho Financial Group, moreover, we aim to maximize the synergy among group members and their departments, thereby providing high-value added financial service to a wide range of customers

2. Numerical Targets

In our Fourth Medium-Term Management Plan, we have stipulated Medium-Term Management Targets (to be realized by the end of March 2009) for both company scale - (1) achieve over 20 trillion yen in assets under custody, (2) achieve over 50 billion yen in ordinary profit - and company quality - (3) achieve 10% or higher ROE, (4) achieve "A" or higher credit ratings.

3. Medium- and Long-Term Business Strategy

Our company established a The Fourth Medium-Term Management Plan for the period from April 2006 through March 2009. The Japanese economy has reached a major turning point in its post-bubble history: it is endeavoring to enter a new stage free of deflation. In keeping with this, and in accordance with the various deregulations and system improvements that have been enacted, this new Medium-Term Management Plan seeks to improve the efficiency of our operations and maximize the quality of services, thereby enabling us to conduct a securities business with high productivity and further solidify our standing in the industry. The essence of the Plan is outlined below.

- Fourth Medium-Term Management Plan (April 2006 - March 2009)
(New Corporate Vision)

➤ "Client First" - Act vigorously, act decisively, act boldly.

We believe that, by acting with the idea of "client first" in mind, we will be able to further enhance our company's reputation as a pillar in the capital market and increase our corporate value, thereby raising the level of satisfaction of all stakeholders. This is the essence of "Client First" and, ultimately, the "Shinko Way".

Moreover, a securities company's biggest assets are human resources, because the personality and attitude of each member of the Company, from senior officer to individual employee, determine the Company's real strength. We aspire to be a group of people with sound minds, aggressive business instincts and skills.

(Medium-Term Management Targets)

- Pursue scale: Achieve over 20 trillion yen in assets under custody.
Achieve over 50 billion yen in ordinary income.
- Pursue quality: Achieve 10% or higher ROE.
Achieve "A" or higher credit ratings.

(Targets for Each Earnings-Related Division)

- Retail Division

- Become the No.1 securities company in customer satisfaction.
- Achieve 12 trillion yen in retail assets under custody.

- Wholesale Division

- Establish a position as the "No.1 supporter of 'fresh, high-growth' companies".
- Establish the five core businesses of investment banking.
 - IPO business: Lead-manage as many IPOs as other league-leading competitors.
 - Corporate financing business: Become one of the top 3 lead managers in the sector. *
* For companies with market capitalization of under 100 billion yen.
 - M&A business: Achieve top 10 ranking in terms of the number of deals closed.
 - Asset management business: Expand profitability through new asset management business models.
 - Expand the fund business.

- Financial Products Division

- Solidify market presence, and to this end, work to establish a market share of 5%.

(Other Medium-Term Targets)

- Personnel Division

- Improve quantity and quality of employees as a "high-motivated industry."
 - Increase employment.
 - Motivate employees.

- IT and Clerical Division

- Improve quality as an "equipment (data processing) industry."

- Ensure safety of the completely open network IT system.
- Implement “Business Continuity Plan” countermeasures.
- Work to establish new business channels.
- Deal with settlement operations efficiently.
- Strengthen business relationship with outside channels
 - Utilize the business foundations of the Mizuho Financial Group and approach groups and companies through various channels in different industries.
 - Strengthen our ties with Mizuho Financial Group companies.
 - Expand the scope of our ties with partner companies.
 - Establish ties with other groups and companies.
- Financial strategy
 - Bolster capital base and solidify financing.
 - Establish back-up systems for fund raising from the capital markets study alternative fund raising methods.
- Strengthen corporate governance
 - Improve the internal control structure.
 - Promote cost controls.
 - Compliance.
 - Strategies for Shinko Groups companies.
- Branding strategy
 - Promote CSR activities.

* The Period’s Business Goals and Their State of Achievement

In this financial year, which represents the initial period of our 4th Medium-Term Business Plan, we worked to broaden our business foundations, reform our profit structure, and improve the quality of our operations.

In our Retail Division, aiming to be the “security company with the No.1 customer satisfaction,” we regularly conducting customer satisfaction surveys in order to further meet the diversified needs of our customers and moved forward with continued improvement measures reflecting the opinion of customers. In April 2006, “Wealth Management Office” was established, targeting the higher socioeconomic group, to provide better services with high added value and enhance the quality of the support structure. In October of the same year, in addition to the conventional “3 Support Course,” “Direct Course” was established in the Shinko Net Club, as a dedicated service for Internet transaction, by which customers can choose according to their investment style. The Shinko Point Service was also introduced as a new service aiming to further enhance customer satisfaction. In this way, we have been making efforts to offer products, services and information to individual investors that appropriately match their needs and investment environment, a strategy which will in turn improve fund sales, variable annuity insurance, foreign bonds, structured bonds, ensuring stable profit other than stocks. Furthermore, contract deposits for the “Shinko Asset Management Wrap (nicknamed “Long·AP”)” exceeded 100 billion yen, marking a significant increase in made-to-order services and products.

In our Wholesale Division, we worked to strengthen our marketing operations with the aim of establishing the “5 pillars of the investment banking business,” a major component of our new medium-term business plan; in addition, we worked to build a back-up system and to foster employees. For stock underwriting operations, we served as the lead managing underwriter in 21 companies at IPO (initial public offering), sustaining a top level in the underwriting participation rate. We have also been responding to diversified corporate investment procurement needs in PO (public offering by public companies); in the area of bond underwriting, moreover, we served as lead managing underwriter for many FILP agency bonds, electric power company bonds, general corporate bonds, and more. Furthermore, in the area of mergers and acquisitions, we steadily accumulated significant results by carrying out various measures including strengthening external alliance.

In our Products Division, we sought to “establish a larger presence in the market” by improving our trading capacity both quantitatively and qualitatively. At the same time, we worked to expand our product lineup of investment trusts, insurance products, privately offered structured bonds and more, and endeavored to increase our information transmission capabilities. Publicly offered investment trusts such as “Frontier World Income Fund,” “Shinko Pure India Equity Fund” and “Southern Asia All Star Equity Fund” have become hit products eyeing the bonds of emerging countries and the Asian stock market.

We also worked hard to develop our global business by establishing Shinko Securities (Europe) in August 2006, obtaining certification for a China Qualified Foreign Institutional Investors (QFII) from the China Securities Regulatory Commission, and receiving a temporary permit from the Commission in January of 2007 to set up a representative office in Shanghai. In spite of such activities, however, since we reached a basic agreement with Mizuho Securities on merger, we commenced the procedures for closing Shinko Securities (Europe) and for withdrawing the application to set up the representative office in Shanghai, due to various operational overlaps were expected.

Collaboration through external channels continued with the Mizuho Financial Group, the Dai-ichi Mutual Life Insurance and Tokio Marine & Nichido Fire Insurance. Some of the dealings leading to significant successes were

the commencement of dealing with the Wrap account by Mizuho Bank, a first corporate securities intermediary service by banking institute; a business tie-up with the Dai-ichi Mutual Life Insurance involving the introduction of clients which is unprecedented business in insurance industry; and joint development of an investment trust fund with Tokio Marine Group. In addition to contracts for securities intermediary services with financial institutes, we have collaborated with 86 companies for market inducing operations and have been introduced to many companies.

Meanwhile, replacement of mission-critical systems has been one of our most important issues, and we have completed the transition to an open-type system (STAGE). As one of the BCP (Business Continuity Plan) operations, we have set up a second call center, in preparation for a backup center system, and have enhanced disaster recovery measures.

As a financial strategy, we have floated a subordinate bond for the first time in addition to an effort to reduce procurement costs by changing borrowing conditions for short-term loans and increasing procurement from the market. Furthermore, our company's rating by the Japan Credit Rating Agency, Ltd. (JCR) was raised from BBB+ to A-. In March 2007, a merger contract was signed with Mizuho Securities, and our grading by Rating Information Center was upgraded from BBB to A+. Obtaining a rating of A or better is a major goal of our new medium-term business plan, and we intend to make every effort to achieve it.

4. Our tasks to be solved

After a decade of what was called the Big Bang liberalization of the financial sector, a transition from savings to investments is beginning to accelerate in the financial and capital markets. The anxiety toward financial systems after the collapse of the bubble economy had been overcome and we are now moving towards a market-type financial system. In the retail field, triggered by the bulk retirement of baby boomer generation workers, there has been a fierce battle to take on personal financial assets that amount to 1.5 quadrillion yen. In the wholesale field, there has been global business development by major enterprises as well as diversification of domestic and overseas fund procurement methods through the capital market, and M&A at a cross-border level has become a common method for business development. Furthermore, expansion in internationally diversified investments by institutional investors and expansion in the fund business have lowered the barrier between financial and investment markets both in Japan and abroad, and money flow is expanding and accelerating at a global level.

Under these circumstances, the merger with Mizuho Securities was based on a business judgment that tying up Mizuho's global platform of investment banking operations with our nationally based full-line comprehensive security network would expand and enhance our competitive power and maximize shareholder value. We recognize that achievement of the management goal set forth in the 4th Medium-Term Business Plan is extremely important, as is our undertaking for this merge. Thus all of our officers and employees are determined to unite together and work towards attaining that goal.

On 29 March 2007, we concluded a merger contract with Mizuho Securities and we are committed to preparing for the final merger on 1 January 2008 provided that we receive approval from our shareholders and the relevant authorities.

* Business objectives of new company

It is intended that the new company, in its aim to become Japan's leading "full-service securities company that conducts investment banking business on a global basis," will realize the following business objectives:

- (1) The new company will realize significant synergistic effects through the combination of Mizuho Securities' strength in the underwriting and investment banking businesses and Shinko Securities' solid sales base as a full-service securities company with a business network covering all of Japan.
- (2) The new company will further enhance the advanced expertise and product development/financial engineering capabilities of the two companies as the core strengths of the globally competitive new company so that it may respond accurately and promptly to customer needs which are becoming increasingly sophisticated, diversified and globalized.
- (3) The new company will promote its investment banking business on a global basis in cooperation with Mizuho Corporate Bank which already has an established global network. In particular, Mizuho Corporate Bank obtained in December 2006 the status of FHC (financial holding company) in the United States, thus Mizuho Corporate Bank and the new company will mutually cooperate in promoting investment banking business on a global basis, covering Japan, Asia, Europe and the Americas, in compliance with applicable laws and regulations.

IV. Consolidated Financial Statements

Consolidated Balance Sheets

(In millions of yen)

	Financial year to 31 March 2007	Financial year to 31 March 2006	Year-on-year increase/decrease
Assets			
Current assets	3,569,189	3,301,765	267,423
Cash and due from banks	121,197	117,742	3,454
Fund deposits	87,006	90,807	-3,800
Trading products	1,321,935	1,129,989	191,945
Trading securities, etc.	1,316,064	1,126,971	189,093
Derivative assets	5,870	3,018	2,852
Trade date accrual	—	35,000	-35,000
Investment securities for sale	8,766	2,771	5,995
Margin transaction assets	114,021	154,683	-40,662
Customers' loans receivable in margin transactions	105,991	143,473	-37,481
Collateral for borrowed securities for margin transactions	8,029	11,210	-3,180
Loans receivable secured by securities	1,891,914	1,731,751	160,163
Collateral for borrowed securities	1,871,826	1,681,659	190,167
Loans receivable in gensaki transactions	20,087	50,092	-30,004
Advances	186	410	-224
Cash paid for offering, etc.	112	12,204	-12,092
Short-term deposits	2,994	3,334	-340
Accounts for non-delivered securities and others	173	42	131
Short-term loans receivable	174	229	-55
Securities	5,501	900	4,601
Accrued revenues	8,745	9,467	-722
Deferred income tax assets	3,321	5,335	-2,014
Other current assets	3,244	7,470	-4,226
Allowance for bad debts	-107	-377	270
Fixed assets	165,752	174,077	-8,324
Tangible fixed assets	34,497	34,866	-368
Buildings	12,904	13,192	-287
Furniture and fixtures	2,580	2,531	49
Land	18,976	19,001	-25
Construction in progress	35	140	-105
Intangible fixed assets	35,098	32,050	3,048
Software	33,799	22,748	11,051
Phone right, etc.	1,299	9,302	-8,003
Investments and other assets	96,156	107,160	-11,004
Investment securities	81,027	91,115	-10,087
Long-term deposits	11,370	12,064	-694
Deferred income tax assets	331	335	-4
Other investments	7,803	9,020	-1,216
Allowance for bad debts	-4,376	-5,375	998
Total assets	3,734,941	3,475,843	259,098

Summary of Consolidated Financial Statements for the Year Ended March 2007
Shinko Securities (8606)

(In millions of yen)

	Financial year to 31 March 2007	Financial year to 31 March 2006	Year-on-year increase/decrease
Liabilities			
Current liabilities	3,354,918	3,118,025	236,892
Trading products	1,140,368	1,108,796	31,571
Trading securities, etc.	1,137,898	1,101,191	36,707
Derivative liabilities	2,469	7,604	-5,135
Trade date accrual	32,703	—	32,703
Margin transaction liabilities	59,990	98,759	-38,769
Customers' loans payable for margin transactions	55,766	92,622	-36,856
Collateral for loaned securities for margin transactions	4,224	6,136	-1,912
Loans payable secured by securities	1,481,385	1,316,664	164,721
Amounts receivable on loan transactions	1,370,140	1,128,375	241,764
Loans payable in gensaki transactions	111,244	188,288	-77,043
Deposits received	56,041	62,392	-6,350
Received margins	40,750	24,527	16,222
Short-term loans payable	399,908	389,690	10,218
Commercial paper	117,200	84,200	33,000
Accrued liability	2,030	3,226	-1,196
Income taxes payable	8,410	15,601	-7,190
Deferred tax liabilities	41	207	-166
Reserve for bonus	6,507	7,089	-582
Allowance for directors' bonus	344	—	344
Reserve for point service	401	—	401
Reserve for business reorganization loss	33	—	33
Other current liabilities	8,800	6,871	1,929
Fixed liabilities	86,289	75,084	11,205
Corporate bonds	33,000	20,000	13,000
Long-term loans payable	30,700	26,050	4,650
Deferred tax liabilities	12,661	15,392	-2,731
Reserve for retirement benefits	6,373	10,827	-4,453
Reserve for directors' retirement benefits	732	—	732
Reserve for executive officers' retirement benefits	859	—	859
Other fixed liabilities	1,962	2,814	-852
Statutory reserve	916	1,157	-241
Reserve for securities transaction liabilities	916	1,157	-241
Total liabilities	3,442,124	3,194,267	247,857
Minority interest	—	6,103	—
Shareholders' equity			
Common stock	—	125,167	—
Capital surplus	—	82,544	—
Earned surplus	—	50,322	—
Net unrealized gains on other securities, net of taxes	—	24,713	—
Foreign currency translation adjustment	—	422	—
Treasury stock	—	-7,696	—
Total shareholders' equity	—	275,472	—
Total liabilities, minority interest, and shareholders' equity	—	3,475,843	—
Net assets			
Shareholders' equity	263,305	—	—
Common stock	125,167	—	—
Capital surplus	82,900	—	—
Earned surplus	62,576	—	—
Treasury stock	-7,339	—	—
Valuation and translation adjustments	21,511	—	—
Net unrealized gains on other securities, net of taxes	20,702	—	—
Foreign currency translation adjustment	808	—	—
Minority interest	8,000	—	—
Total net assets	292,817	—	—
Total liabilities and net assets	3,734,941	—	—

Consolidated Statement of Income

(In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006	% change from previous year
Operating revenues	146,794	152,915	96.0
Commissions and fees received	91,115	101,351	89.9
Trading profit or loss	42,104	45,919	91.7
Trading profit or loss on investment securities for sale	270	365	74.1
Financial revenues	13,303	5,279	252.0
Financial expenses	10,474	4,395	238.3
Net operating revenues	136,319	148,520	91.8
Selling, general and administrative expenses	112,532	109,256	103.0
Transaction expenses	16,498	14,982	110.1
Personnel expenses	56,964	56,742	100.4
Real estate expenses	14,746	14,554	101.3
Office expenses	8,219	6,862	119.8
Depreciation	10,892	10,323	105.5
Taxes and dues	1,333	1,465	91.0
Others	3,877	4,326	89.6
Operating profit	23,786	39,263	60.6
Non-operating revenues	6,424	6,218	103.3
Investment profit on equity method	5	217	2.3
Others	6,418	6,000	107.0
Non-operating expenses	1,154	2,297	50.3
Ordinary profit	29,056	43,184	67.3
Extraordinary profits	6,310	6,900	91.5
Extraordinary losses	1,749	4,251	41.2
Net profit before taxes, etc.	33,617	45,833	73.3
Income taxes	9,543	15,570	61.3
Adjustment amount for income taxes	1,927	-5,217	—
Minority interest	211	518	40.9
Net profit	21,935	34,962	62.7

Consolidated Statement of Earned Surplus

(In millions of yen)

	Financial year from 1 April 2005 to 31 March 2006
Capital Surplus	
Balance of capital surplus at start of year	82,541
Increase in capital surplus	2
Gain/loss on disposal of treasury stock	2
Balance of capital surplus at end of year	82,544
Earned Surplus	
Balance of earned surplus at start of year	20,174
Increase in earned surplus	34,962
Net profit	34,962
Decrease in earned surplus	4,814
Dividend	4,625
Officer's bonus	165
Decrease in earned surplus due to exclusion from consolidation and from application of equity method	22
Balance of earned surplus at end of year	50,322

Consolidated Statement of Shareholders' Equity

Financial Year Ended 31 March 2007 (1 April 2006 - 31 March 2007)

(In millions of yen)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total	Net unrealized gains on other securities, net of taxes	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of 31 March 2006	125,167	82,544	50,322	-7,696	250,336	24,713	422	25,135	6,103	281,575
Amounts of changes during the period										
Distribution of surplus *			-9,248		-9,248					-9,248
Officer's bonus*			-432		-432					-432
Net profit			21,935		21,935					21,935
Acquisition of treasury stocks				-123	-123					-123
Disposal of treasury stock		356		481	837					837
Net amount of change during the period for non-stockholder-capital items						-4,010	386	-3,624	1,897	-1,727
Total amount of change during the period	—	356	12,254	357	12,968	-4,010	386	-3,624	1,897	11,241
Balance as of 31 March 2007	125,167	82,900	62,576	-7,339	263,305	20,702	808	21,511	8,000	292,817

* This is a profit distribution item decided at the regular shareholders' meeting held in June 2006.

Consolidated Cash Flow Statement

(In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006
I		
Cash flows from operating activities		
Net profit before taxes, etc.	33,617	45,833
Depreciation	10,892	10,323
Adjustment for extraordinary profit and loss		
Profit from sale on fixed assets	-17	-1,998
Loss from sale or disposition of fixed assets	445	3,152
Loss from assets impairment	—	165
Profit from sale on investment securities	-4,941	-2,005
Write-down and loss from sale of investment securities	321	85
Write-down of golf club memberships	—	3
Loss from change in IT system	296	601
Software licensing fee	-859	-1,800
Profit from switchover of retirement benefits payment system	—	-344
Provision of reserve for past directors' retirement benefits	478	—
Business reorganization loss	136	—
Reversal of reserve for business reorganization loss	—	-316
Provision (reversal) of reserve for securities transaction liabilities	-241	108
Provision (reversal) of allowance for bad debts	-180	24
Interest income and dividends receivable	-14,473	-6,201
Interest cost	10,474	4,395
Investment profit/loss on equity method	-5	-217
Increase/decrease in loans receivable	97	11
Increase/decrease in money held as customers' trust	3,780	-25,847
Increase/decrease in advances and deposits received	-6,126	6,442
Increase/decrease in trading products	-94,572	87,250
Increase/decrease in margin transaction assets	40,662	-68,262
Increase/decrease in margin transaction liabilities	-38,769	42,639
Increase/decrease in loans receivable secured by securities	-160,163	-7,668
Increase/decrease in loans payable secured by securities	164,721	-159,193
Increase/decrease in allowance for bad debts	-1,006	733
Increase/decrease in reserve for bonus	-238	3,232
Increase/decrease in reserve for retirement benefits	-2,861	-6,357
Others	33,187	1,339
Subtotal	-25,343	-73,867
Interest and dividends received	14,338	4,867
Interest paid	-10,358	-4,388
Income taxes, etc. paid	-16,627	-1,708
Cash flows from operating activities	-37,990	-75,097
II		
Cash flows from investing activities		
Payments for purchases of investment securities	-10,985	-12,179
Proceeds from the sale of investment securities	11,840	9,880
Payments for purchases of tangible fixed assets	-1,406	-1,245
Proceeds from the sale of tangible fixed assets	53	3,757
Payments for purchases of intangible fixed assets	-13,383	-12,609
Proceeds from sale of intangible fixed assets	700	—
Proceeds from return on long-term deposits	694	1,864
Proceeds from acquiring stock of subsidiaries upon a change in scope of consolidation	—	84
Others	-1,498	2,168
Cash flows from investing activities	-13,986	-8,278
III		
Cash flows from financing activities		
Increase/decrease in short-term loans payable	16,368	117,035
Increase/decrease in commercial paper	33,000	27,000
Proceeds from issue of corporate bonds	12,982	19,960
Proceeds from long-term loans payable	15,000	—
Payments for long-term loans payable	-16,500	-9,750
Payments for acquiring treasury stocks	-123	-121
Proceeds from sale of treasury stocks	837	—
Dividend paid	-9,248	-4,625
Proceeds from issuing stock to minority shareholders	1,263	30
Dividend paid to minority shareholders	-161	-80
Cash flows from financing activities	53,418	149,448
IV		
Effect of foreign exchange rate changes on cash and cash equivalents	175	188
V		
Increase/decrease in cash and cash equivalents	1,617	66,261
VI		
Balance of cash and cash equivalents at start of year	117,524	51,656
VII		
Decrease in cash and cash equivalents resulting from exclusion from consolidation	—	-392
VIII		
Increase in cash and cash equivalents resulting from new consolidation	1,872	—
IX		
Balance of cash and cash equivalents at end of year	121,014	117,524

[About the consolidated financial statements]

These consolidated financial statements follow the provisions of Ministry of Finance (MoF) Ordinance No.28 (1976) entitled “The Rules for Terms, Formats, and Preparation Method of Consolidated Financial Statements” and also comply with the provisions stipulated in Articles 46 and 68 of said ordinance. In addition, they are compiled in accordance with Prime Ministerial and MoF Ordinance No.32 (1998) entitled “Cabinet Ordinance Concerning Securities Companies” and the resolution entitled “Unification of Securities Business Accounting ” adopted by the Japan Securities Dealers Association on 14 November 1974.

[Basic Important Matters for Preparation of Consolidated Financial Statements]

1. Matters regarding the scope of consolidation

(1) Consolidated subsidiaries (21 subsidiaries)

Major subsidiaries

Shinko Securities Business Services Co., Ltd.

Shinko Investment Co., Ltd.

Shinko Investment Trust Management Co., Ltd.

Nippon Securities Technology Co., Ltd.

(Newly added) Shinko IPO Investment Business Fund No.1 and other 4 companies

(2) Non-consolidated subsidiaries (0 subsidiary)

None.

(Excluded) Shinko IPO Investment Business Fund No.1 and other 4 companies

2. Matters concerning the application of equity method

Equity-method affiliates (3 affiliates)

CUBIC Venture Capital Co., Ltd.

Mitoyo Securities Co., Ltd.

Eiwa Securities Co., Ltd.

Non-equity-method affiliates (1 affiliate)

(Newly added) Misawa Kyoei KK

3. Matters concerning the period of consolidated subsidiaries

The closing date of consolidated subsidiaries are as follows:

End of March 16 subsidiaries

End of December 5 subsidiaries

For 5 consolidated subsidiaries with different closing dates to the consolidated closing date, financial statements as of each subsidiary's closing date will be used. However, for important transactions that took place between the last closing date of each company and the consolidated closing date, adjustments necessary for the consolidation were performed.

4. Matters concerning the accounting standard

(1) Valuation method for significant assets

1) Valuation method for securities classed as trading products (securities held for trading purpose):

Securities and derivative contracts classed as trading products and held by the parent company or subsidiaries are recorded at present market value.

2) Valuation method for securities not classed as trading products:

The following valuation methods are applied to securities that are not held for trading purposes:

a) Bonds that are to be held to maturity

The depreciable cost (straight-line) method is used.

b) Other securities

Securities, etc. that have market values:

The present market value is recorded on the consolidated balance sheets and differences between this and acquisition cost is incorporated into the new asset in full. The selling price is based on the moving-average cost method.

Securities, etc. that have no market values

Valued using the moving-average cost method.

Moreover, with regard to contributions to limited liability unions of the investment industry and similar unions (according to Article 2, Paragraph 2 of the Securities and Exchange Law, such contributions are regarded as negotiable securities), we use, as the acquisition price, the value of our holdings of union assets as designated on the union's most recent statement of accounts that we are able to obtain as of the day - stipulated in the union contract - on which the latest statement of accounts is reported. With regard to profit and loss obtained from the operations of the union, etc., we use a method whereby we record the value of our holdings under profit and costs.

(2) Depreciation methods used for significant depreciable assets

1) Tangible fixed assets

Both our company and domestic consolidated subsidiaries use mainly fixed-percentage depreciation.

However, buildings acquired after 1 April 1998 (excluding the equipment, etc. they contain) are depreciated using the straight-line (fixed amount) method.

2) Intangible fixed assets and long-term prepaid expenses

The straight-line method is used.

Moreover, software for our own use is depreciated using a straight-line method with the fixed amount of depreciation being determined by the duration of its potential internal use (up to 5 years).

(3) Method of handling significant deferred assets

The entire cost of issuing corporate bonds is handled as a cost at the time that it occurs.

(4) Accounting standards for significant reserves and allowances

1) Allowance for bad debts

In preparation for loss from bad debt in loans receivables, etc., the recoverable possibilities of general receivables are reviewed based on the ratio of past uncollectibles and those of specific receivables including the ones that are likely to become bad debts are individually reviewed, so that the irrecoverable amount can be estimated.

2) Reserve for bonus

To prepare for the payment of bonuses to employees, we calculated the estimated value of future payments and charged an appropriate portion of this obligation to the year.

3) Reserve for directors' bonus

To prepare for the payment of bonuses to directors, we calculated the estimated value of future payments and charged an appropriate portion of this obligation to the year.

4) Reserve for point service

To prepare for the cost burden for use of the Shinko Point Service in the future, the expected required amount is calculated for this term based on the usage rate.

Shinko Point Service commenced from October of 2006; and, the rational usage rate cannot be calculated; therefore, the amount reported for the end of this period is the amount equivalent to the total points given out to customers.

5) Reserve for business reorganization loss

In line with the commencement of closing procedures for Shinko Securities (Europe), the estimated amount of the cost burden involving office closing will be posted.

6) Reserve for retirement benefits

To prepare for the payment of employee pensions, the difference between the value of such obligations and the total value of our pension assets at the end of this financial year was estimated, and the portion of the additional shortfall considered to have arisen in this year was charged to this year.

Past service liabilities are regarded at any time as being a number of years (10 years) that fall within the average number of years' service remaining for each employee. These liabilities are amortized and charged to the year for which it was calculated using the straight-line method.

Actuarial gains and losses are also charged after amortizing by the straight-line method a number of years (10 years) that fall within the average number of years' service remaining for each employee.

These charges are recorded in the following financial year.

7) Reserve for directors' retirement benefits

In preparation for the payment of retirement benefits for directors, the necessary funds for the end of

period will be appropriated in accordance with the regulation.

8) Reserve for executive officers' retirement benefits

In preparation for the payment of retirement benefits for executive officers, the necessary funds for the end of term will be appropriated in accordance with the regulations.

- (5) Standards for translating significant assets or liabilities denominated in foreign currencies into Japanese yen
Foreign currency denominated claims and obligations are translated into Japanese yen at the spot rate prevailing on the closing day of the year. Currency translation losses or gains are recorded on the income statement as such.

The assets, liabilities, revenues, and expenses of foreign subsidiaries are also translated into Japanese yen at the spot rate prevailing on the day the consolidated balance sheet was compiled. Any translation losses or gains are recorded in the net assets under the heading "Foreign currency translation adjustment".

- (6) Handling of significant lease transaction

In the case of finance leases where ownership is not deemed to have passed to the lessee, normal accounting procedures for leases are followed.

- (7) Method of significant hedge accounting

In order to hedge our exposure to cash flow fluctuations caused by borrowing at variable interest rates, we enter into interest rate swap contracts. These are handled on a case-by-case basis.

- (8) Accounting for consumption tax, etc.

The tax exclusion method is applied.

5. Valuation of assets and liabilities of consolidated subsidiaries

The valuation of asset and liabilities of consolidated subsidiaries is carried out entirely on a mark-to-market basis.

6. Scope of cash and cash equivalents included in the consolidated cash flow statement

The cash movements recorded in the consolidated cash flow statement are those of cash and cash equivalents. Assets classed as cash or cash equivalents are cash on hand, deposits for which no notice of withdrawal is required, and highly liquid short-term investments that carry next to no price risk and have a maturity of less than three months.

[Changes in Basic Important Matters for Preparation of Consolidated Financial Statements]

1. Reserve for directors' bonus

From this period onward, "Accounting Standard for Directors' Bonus (Accounting Standards Board Statement No.4, 29 November 2005)" will be applied.

With this change, operating profit, current profit and net profit before taxes and adjustments all have decreased 344 million yen in comparison to the calculation by conventional methods.

2. Reserve for directors' retirement benefits

From this period onward, "Audit Handling Concerning Reserve on Special Taxation Measures Law, Statutory Reserve, Other Reserves or Reserve for Directors' Retirement Benefit" (Audit and Assurance Committee Report No.42, 13 April 2007) is applied.

With this change, operating profit and current profit have decreased 254 million yen each, and net profit before taxes and adjustments have decreased 732 million yen in comparison to the calculation by conventional methods.

With the application of the above report (Audit and Assurance Committee Report No.42, 13 April 2007) reserve for executive officers' retirement benefits that had previously been included in the accrued retirement benefits, were separately budgeted from this period. Reserve for executive officers' retirement benefit that had been included in the accrued retirements benefit category in the last term were 700 million yen.

3. Accounting standards related to items listed in net assets section of balance sheets

Starting from this period, the standards that apply are: "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Corporate Accounting Standards No. 5, 9 December 2005), and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Guidance No. 8, 9 December 2005). Moreover, the amount that corresponds to the total in the "Capital" section before application of these standards is 284.817 billion yen.

[Notes on consolidated balance sheets]

	Financial year to 31 March 2007	Financial year to 31 March 2006 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	16,751	16,311
2. Guarantee obligations (guarantee exercise anticipated)	1,037 (952)	1,232 (1,119)

In accordance with Report No.61 of the Auditing Committee of the Japanese Institute of Certified Public Accountants entitled "Auditing Procedures Concerning the Accounting for and Presentation of Guarantee Obligations and Similar", we recognize that we bear effective responsibility for guaranteeing our obligations and therefore provide a footnote giving details of these obligations.

3. Subordinated corporate bonds and borrowings

Among our corporate bonds and long-term borrowings (including those that mature within one year), there are the following subordinated obligations (corporate bonds and borrowings with special subordinating conditions) as defined in Article 2 of Cabinet Office Ordinance No.23 (2001) entitled "Orders Concerning the Capital Adequacy of Securities Companies".

	Financial year to 31 March 2007	Financial year to 31 March 2006 (In millions of yen)
Corporate bonds	13,000	—
Long-term borrowings (incl. those that mature within 1 year)	40,050	41,250
4. Securities related to non-consolidated subsidiaries and affiliates are indicated below.		
	Financial year to 31 March 2007	Financial year to 31 March 2006 (In millions of yen)
Investment securities	2,235	7,878

Summary of Consolidated Financial Statements for the Year Ended March 2007
Shinko Securities (8606)

[Notes on consolidated income statement]

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006 (In millions of yen)
Extraordinary profits		
Profit from sale of fixed assets	17	1,998
Profit from sale of investment securities	4,941	2,005
Software licensing fees	859	1,800
Profit from switchover of retirement benefits payment system	—	344
Profit from recovery of bad debts	—	435
Reversal from reserve for business reorganization loss	—	316
Reversal from reserve for securities transaction liabilities	241	—
Reversal from reserve for bad debts	251	—
Extraordinary losses		
Loss from sale of fixed assets	59	2,957
Loss from disposition of fixed assets	385	195
Loss from asset impairment	—	165
Loss from sale of investment securities	27	28
Write-down of investment securities	293	56
Write-down of golf club memberships	—	3
Contribution to securities market foundation building fund	—	109
Loss from change in IT system	296	601
Provision of reserve for past directors' retirement benefits	478	—
Provision of reserve for business reorganization loss	136	—
Provision of reserve for securities transaction liabilities	—	108
Provision of allowance for bad debts	70	24

[Notes to the consolidated cash flow statement]

Relationship between the balance of cash and cash equivalents at the end of this financial year and balances of account items recorded on the consolidated balance sheets

	Financial year to 31 March 2007	Financial year to 31 March 2006
Cash and due from banks	121,197	117,742
Fixed deposits for periods exceeding 3 months	-182	-218
Cash and cash equivalents	121,014	117,524

[Notes on consolidated statement of shareholders' equity]

Financial Year Ended 31 March 2007 (1 April 2006 - 31 March 2007)

1. Matters related to issued shares

	Shares at end of previous year (x 1,000)	Shares increased in this year (x 1,000)	Shares decreased in this year (x 1,000)	Shares at end of this year (x 1,000)
Shares outstanding				
Common stock	811,118	—	—	811,118
Total	811,118	—	—	811,118

2. Matters related to treasury stock

	Shares at end of previous year (x 1,000)	Shares increased in this year (x 1,000)	Shares decreased in this year (x 1,000)	Shares at end of this year (x 1,000)
Treasury stock				
Common stock	40,448	243	2,508	38,182
Total	40,448	243	2,508	38,182

(Notes)

1. Treasury stock that is common stock increased by 243,000 shares. This increase resulted from the purchase of less than a full trading unit of shares.
2. Treasury stock that is common stock decreased by 2.508 million shares. A decrease of 15,000 shares resulted from a request to increase a purchase of shares comprising less than a full trading unit, while a decrease of 2.493 million shares resulted from the exercising of stock option rights

3. Matters related to dividends

(1) Dividend payment amounts

Decision	Type of stock	Total amount of dividends (x 1 mil. yen)	Dividend per share (yen)	Record date	Effective issue date
Regular shareholders' meeting of 29 June 2006	Common stock	9,248	12.00	31 March 2006	30 June 2006

- (2) Dividend for which the record date falls within the current period and the effective issue date falls after the period.

Decision	Type of stock	Total amount of dividends (x 1 mil. yen)	Source of dividends	Dividend per share (yen)	Record date	Effective issue date
Regular shareholders' meeting of 28 June 2007 (scheduled)	Common stock	9,275	Earned surplus	12.00	31 March 2007	29 June 2007

Segment Information

1. Business segment information

This corporate group is carrying out global business activities mainly for securities, which include (1) selling and buying securities, (2) brokerage of the entrustment of selling and buying securities, etc., (3) underwriting and selling securities, (4) handling the offering and selling of securities, and (5) handling the private offering of securities. These business activities involve providing financial and other services. We earn profit based on these business activities combined with such services. Therefore, the segment information on business types is omitted because our corporate group's business activities all come under the single business segment of "investment and financial services."

2. Geographical segment information

For this financial year and the previous financial year, the segment information on locations is omitted because each of the total operating revenue and assets of consolidated companies in Japan exceeds 90% of those in all segments.

3. Overseas gross sales (operating revenues)

For this financial year and the previous financial year, the overseas operating revenue is omitted because it is less than 10% of the consolidated operating revenues.

Market or Fair Values of Securities and Derivatives

1. Trading-related

(1) Market values of trading securities, etc (securities for purchase and sale)

(In millions of yen)

Type	As of 31 March 2007		As of 31 March 2006	
	Assets	Liabilities	Assets	Liabilities
Equities and warrants	106,401	6,177	95,387	8,469
Bonds	1,167,039	1,131,291	1,018,585	1,092,144
CP and CD	41,971	—	10,998	—
Beneficiary securities, etc.	652	429	2,000	576

(2) Notional amounts and market values of derivative contracts

(In millions of yen)

Type	As of 31 March 2007				As of 31 March 2006			
	Assets		Liabilities		Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Options contracts	136,155	4,574	34,045	143	262,342	879	253,918	1,116
Forward exchange contracts	8,687	65	47,312	346	31,058	44	56,688	168
Futures/forward contracts	45,550	143	197,099	1,058	82,958	536	75,352	5,116
Swap contracts	65,961	1,087	52,878	920	74,245	1,557	64,359	1,203

Note: Deemed settlement values of forward exchange and futures contracts are recorded in the fair value column.

2. Non-trading-related

(1) Bonds with readily determinable market values that are to be held to maturity

(In millions of yen)

Type	As of 31 March 2007			As of 31 March 2006		
	Value on consolidated balance sheets	Market value	Balance	Value on consolidated balance sheets	Market value	Balance
Market value higher than value recorded on consolidated balance sheets	4,204	4,207	2	900	900	0
Governmental / local bonds	1,693	1,694	0	—	—	—
Corporate bonds	2,510	2,512	1	900	900	0
Others	—	—	—	—	—	—
Market value lower than or equal to value recorded on consolidated balance sheets	8,294	8,275	-19	3,701	3,678	-23
Governmental / local bonds	500	497	-2	500	496	-3
Corporate bonds	7,794	7,777	-17	3,200	3,181	-19
Others	—	—	—	—	—	—

(2) Other securities with readily determinable market values

(In millions of yen)

Type	As of 31 March 2007			As of 31 March 2006		
	Acquisition cost	Value on consolidated balance sheets	Balance	Acquisition cost	Value on consolidated balance sheets	Balance
Market value higher than value recorded on consolidated balance sheets	23,647 (157)	57,078 (318)	33,431 (161)	24,909 (98)	65,137 (608)	40,227 (509)
Equities	20,393 (157)	52,373 (318)	31,979 (161)	22,656 (98)	61,782 (608)	39,125 (509)
Bonds	—	—	—	—	—	—
Governmental/local bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Others	3,253	4,705	1,452	2,253	3,355	1,102
Market value lower than or equal to value recorded on consolidated balance sheets	3,062	2,562	-499	3,540	3,221	-318
Equities	2,760	2,268	-491	2,438	2,133	-304
Bonds	—	—	—	—	—	—
Governmental/local bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Others	301	293	-7	1,102	1,087	-14

(Note) Figures in brackets refer to investment securities for sale. Investment securities for sale are recorded under "Current assets".

(3) Securities without readily determinable market values and their recorded values on the consolidated balance sheets

(In millions of yen)

Type	As of 31 March 2007	As of 31 March 2006
	Value on consolidated balance sheets	Value on consolidated balance sheets
Bonds to be held to maturity	—	—
Governmental /local bonds	—	—
Corporate bonds	—	—
Others	—	—
Other securities	20,919 (8,447)	19,626 (2,163)
Unlisted equities	14,340 (8,444)	8,348 (2,159)
Unlisted bonds	3 (3)	3 (3)
Others	6,575	11,274

(Note) Figures in brackets refer to investment securities for sale. Investment securities for sale are recorded under "Current assets".

Regarding retirement benefits

1. Summary of current retirement benefit system

Our company and its consolidated domestic subsidiaries have established a fixed-benefit corporate pension system (cash balance type, qualified retirement pensions), a fixed-contribution corporate pension system, and a lump-sum retirement grant system.

2. Items related to retirement benefit systems that are mentioned in the consolidated financial statements

	Financial year to 31 March 2007	Financial year to 31 March 2006
		(In millions of yen)
1) Items related to retirement benefit liabilities		
Reserve for retirement benefits	6,373	10,827
2) Items related to retirement benefit costs		
Retirement benefit costs	2,297	3,762

(Note) The previous financial year's retirement benefit costs include 344 million yen that was recorded under extraordinary profits as "Profit from switchover of retirement benefits payment system."

3. Items related to the fundamental calculations of retirement allowance liabilities

	Fixed amount standard for year	Fixed amount standard for year
1) Method of allocating retirement allowance costs over time		
2) Discount rate	2.0%	2.0%
3) Expected profit from asset management	2.0%	2.0%
4) No. of years over which actuarial gains and losses are processed	10 years	10 years
(Retirement allowance liabilities are processed according to a straight-line method based on a certain number of years within the average remaining number of employee working years at the time the liabilities arise. However, expense processing starts the following year.)		
5) No. of years over which past service liabilities are processed	10 years	10 years
(Retirement allowance liabilities are processed according to a straight-line method based on a certain number of years within the average remaining number of employee working years at the time the liabilities arise.)		

Per share information

Financial year from 1 April 2006 to 31 March 2007		Financial year from 1 April 2005 to 31 March 2006	
Net assets per share	368.49	Net assets per share	356.86
Net profit per share	28.45	Net profit per share	44.77
Net profit per share (diluted)	28.38	Net profit per share (diluted)	44.68

(Note) Net profit per share and net profit per share (diluted) were calculated based on the following:

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006
Net assets per share		
Net profit (in millions of yen)	21,935	34,962
Amount not attributed to common stock (in millions of yen)		
Directors' bonus due to a profit distribution	—	452
Net profit with regard to common stocks (in millions of yen)	21,935	34,509
Average number of shares outstanding (in thousands of shares)	771,121	770,796
Net profit per share (diluted)		
Adjustment amounts to net profit (in millions of yen)	—	—
Increase in common stocks (in thousands of shares)	1,790	1,635
(Those with stock options (in thousands of shares))	(1,790)	(1,635)
The outline of residual securities not included in the calculation of net profit per share (diluted) because of not having diluting effects	—	—

Data on Consolidated Settlement of Accounts

1. Commissions and fees received

(1) Breakdown by account (In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006	% change from previous year
Brokerage commissions	36,876	56,943	64.8
(Equities)	(36,692)	(56,742)	(64.7)
(Bonds)	(117)	(135)	(87.3)
Underwriting & selling fees	8,235	7,490	109.9
(Equities)	(7,098)	(6,417)	(110.6)
(Bonds)	(1,119)	(1,073)	(104.3)
Offering & selling fees and commissions	19,143	16,655	114.9
Other fees and commissions	26,860	20,261	132.6
Total	91,115	101,351	89.9

(2) Breakdown by instrument (In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006	% change from previous year
Equities	44,374	63,625	69.7
Bonds	2,082	2,408	86.5
Beneficiary securities	34,610	27,772	124.6
Others	10,047	7,543	133.2
Total	91,115	101,351	89.9

2. Trading profits (In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006	% change from previous year
Equities	8,019	15,490	51.8
Bonds, others	34,084	30,428	112.0
(Bonds)	(37,279)	(31,862)	(117.0)
(Others)	(-3,195)	(-1,433)	(—)
Total	42,104	45,919	91.7

(Reference)

Quarterly Changes in Consolidated Statement of Income

(In millions of yen)

	Fourth quarter of previous financial year	First quarter of current financial year	Second quarter of current financial year	Third quarter of current financial year	Fourth quarter of current financial year
Operating revenues	43,640	34,074	31,929	37,878	42,911
Commissions and fees received	29,067	23,311	20,378	22,811	24,613
Brokerage commissions	15,706	10,494	7,668	8,681	10,031
(Equities)	(15,640)	(10,451)	(7,602)	(8,641)	(9,996)
(Bonds)	(50)	(26)	(54)	(21)	(15)
Underwriting & selling fees	2,234	1,799	2,040	2,237	2,157
(Equities)	(1,816)	(1,412)	(1,778)	(1,971)	(1,936)
(Bonds)	(418)	(387)	(261)	(266)	(204)
Offering & selling fees and Other fees and commissions	4,712	4,470	4,496	4,604	5,571
Trading profit or loss	12,874	8,221	8,128	11,470	14,284
Equities	3,536	1,227	765	3,234	2,791
Bonds, others	9,337	6,993	7,362	8,235	11,492
(Bonds)	(8,774)	(6,268)	(8,996)	(10,411)	(11,602)
(Others)	(562)	(724)	(-1,634)	(-2,175)	(-109)
Trading profit or loss on investment securities for sale	160	718	-61	76	-462
Financial revenues	1,537	1,822	3,484	3,519	4,477
Financial expenses	1,079	1,357	2,660	2,969	3,486
Net operating revenues	42,560	32,716	29,268	34,909	39,425
Selling, general and administrative expenses	29,123	27,390	26,676	28,121	30,344
Transaction expenses	3,695	3,715	4,154	4,329	4,297
Personnel expenses	15,555	14,550	13,133	13,881	15,399
Real estate expenses	3,404	3,610	3,716	3,654	3,765
Office expenses	2,201	1,614	2,077	2,237	2,289
Depreciation	2,424	2,670	2,235	2,899	3,087
Taxes and dues	472	402	300	286	343
Others	1,369	825	1,058	832	1,161
Operating profit	13,437	5,326	2,591	6,787	9,080
Non-operating revenues	2,035	2,434	1,448	1,110	1,430
Investment profit on equity method	28	32	-2	40	-65
Others	2,006	2,402	1,450	1,069	1,496
Non-operating expenses	657	304	570	210	69
Ordinary profit	14,815	7,456	3,470	7,687	10,441
Extraordinary profits	2,733	265	958	3,537	1,548
Extraordinary losses	3,842	31	387	256	1,073
Net profit before taxes, etc.	13,706	7,690	4,041	10,968	10,916
Income taxes	7,213	242	1,604	2,164	5,531
Adjustment amount for income taxes	-2,654	2,207	-72	1,405	-1,614
Minority interest	127	141	-46	270	-153
Net profit	9,020	5,099	2,555	7,128	7,151

IV. Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(In millions of yen)

	Financial year to 31 March 2007	Financial year to 31 March 2006	Year-on-year increase/decrease
Assets			
Current assets	3,542,039	3,279,899	262,140
Cash and due from banks	107,086	102,228	4,857
Fund deposits	83,049	86,580	-3,531
Trading products	1,320,824	1,128,371	192,452
Trading securities, etc.	1,314,953	1,125,353	189,599
Derivative assets	5,870	3,018	2,852
Trade date accrual	—	34,922	-34,922
Margin transaction assets	110,858	149,021	-38,163
Customers' loans receivable in margin transactions	102,846	137,924	-35,078
Collateral for borrowed securities for margin transactions	8,011	11,096	-3,084
Loans receivable secured by securities	1,891,914	1,731,751	160,163
Collateral for borrowed securities	1,871,826	1,681,659	190,167
Loans receivable in gensaki transactions	20,087	50,092	-30,004
Advances	156	330	-173
Cash paid for offering, etc.	—	12,184	-12,184
Short-term deposits	2,917	3,184	-267
Accounts for non-delivered securities and others	173	42	131
Short-term loans receivable	11,473	11,631	-157
Accrued revenues	8,328	8,214	114
Deferred tax assets	2,880	5,020	-2,140
Other current assets	2,483	6,806	-4,323
Allowance for bad debts	-106	-392	286
Fixed assets	147,726	146,315	1,410
Tangible fixed assets	6,268	5,998	270
Buildings	3,064	2,818	246
Furniture and fixtures	1,993	1,969	24
Land	1,209	1,209	—
Intangible fixed assets	34,095	29,217	4,878
Software	33,460	22,018	11,442
Phone right, etc.	634	7,198	-6,563
Investments and other assets	107,362	111,100	-3,737
Investment securities	60,713	66,088	-5,374
Share of affiliates	30,114	27,926	2,187
Other securities of affiliates	5,172	5,352	-179
Long-term deposits	8,102	8,380	-278
Other investments	7,392	8,495	-1,103
Allowance for bad debts	-4,132	-5,143	1,011
Total assets	3,689,766	3,426,214	263,551

Summary of Consolidated Financial Statements for the Year Ended March 2007
Shinko Securities (8606)

(In millions of yen)

	Financial year to 31 March 2007	Financial year to 31 March 2006	Year-on-year increase/decrease
Liabilities			
Current liabilities	3,330,272	3,085,604	244,667
Trading products	1,140,368	1,108,796	31,571
Trading securities, etc.	1,137,898	1,101,191	36,707
Derivative liabilities	2,469	7,604	-5,135
Trade date accrual	32,703	—	32,703
Margin transaction liabilities	58,606	96,138	-37,531
Customers' loans payable for margin transactions	54,400	90,113	-35,713
Collateral for loaned securities for margin transactions	4,206	6,024	-1,818
Loans payable secured by securities	1,481,385	1,321,702	159,682
Amounts receivable on loan transactions	1,370,140	1,128,375	241,764
Loans payable in gensaki transactions	111,244	193,326	-82,081
Deposits received	53,148	58,632	-5,483
Received margins	40,228	23,017	17,211
Short-term loans payable	381,208	362,660	18,548
Commercial paper	117,200	84,200	33,000
Accrued liability	3,895	3,400	494
Income taxes payable	7,225	14,932	-7,707
Reserve for bonus	5,720	6,410	-690
Reserve for directors' bonus	282	—	282
Reserve for point service	401	—	401
Reserve for affiliate reorganization loss	536	—	536
Other current liabilities	7,361	5,714	1,647
Fixed liabilities	84,150	72,169	11,980
Corporate bonds	33,000	20,000	13,000
Long-term loans payable	30,700	26,050	4,650
Deferred tax liabilities	12,096	14,174	-2,078
Reserve for retirement benefits	5,889	10,157	-4,268
Reserve for directors' retirement benefits	331	—	331
Reserve for executive officers' retirement benefits	753	—	753
Other fixed liabilities	1,378	1,786	-408
Statutory reserve	879	1,121	-242
Reserve for securities transaction liabilities	879	1,121	-242
Total liabilities	3,415,301	3,158,895	256,405
Shareholders' equity			
Common stock	—	125,167	—
Capital surplus	—	82,092	—
Capital reserve	—	51,407	—
Other capital surplus	—	30,684	—
Marginal profit from reduction in capital reserve	—	30,677	—
Gain/loss on disposal of treasury stock	—	7	—
Earned surplus	—	45,323	—
Unappropriated earned surplus	—	45,323	—
Difference in valuation of securities	—	22,431	—
Treasury stock	—	-7,695	—
Total shareholders' equity	—	267,319	—
Total liabilities and shareholders' equity	—	3,426,214	—
Net assets			
Shareholders' equity	255,557	—	—
Common stock	125,167	—	—
Capital surplus	82,448	—	—
Capital reserve	51,407	—	—
Other capital surplus	31,041	—	—
Earned surplus	55,279	—	—
Other earned surplus	55,279	—	—
Earned surplus carried-forward to next term	55,279	—	—
Treasury stock	-7,337	—	—
Valuation and translation adjustments	18,907	—	—
Net unrealized gains on other securities, net of taxes	18,907	—	—
Total net assets	274,465	—	—
Total liabilities and net assets	3,689,766	—	—

Non-consolidated Statement of Income

(In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006	% change from previous year
Operating revenues	137,514	144,506	95.2
Commissions and fees received	82,670	93,553	88.4
Trading profit or loss	41,897	45,846	91.4
Financial revenues	12,945	5,106	253.5
Financial expenses	10,155	3,982	255.0
Net operating revenues	127,358	140,524	90.6
Selling, general and administrative expenses	104,902	103,812	101.0
Transaction expenses	14,838	13,440	110.4
Personnel expenses	48,313	49,082	98.4
Real estate expenses	14,035	14,803	94.8
Office expenses	14,192	13,551	104.7
Depreciation	9,540	8,783	108.6
Taxes and dues	1,074	1,133	94.8
Others	2,908	3,017	96.4
Operating profit	22,456	36,711	61.2
Non-operating revenues	4,016	2,836	141.6
Non-operating expenses	616	255	240.8
Ordinary profit	25,856	39,292	65.8
Extraordinary profits	5,778	4,058	142.4
Extraordinary losses	1,885	2,155	87.5
Net profit before taxes, etc.	29,749	41,195	72.2
Income taxes	8,034	14,750	54.5
Adjustment amount for income taxes	2,140	-5,020	—
Net profit	19,574	31,465	62.2
Profit brought forward	—	13,857	—
Unappropriated earned surplus	—	45,323	—

Statement of Earned Surplus

(Appropriation of profits)

(In millions of yen)

Term	117th term
Date of approval by general meeting of shareholders	29 June 2006
(Appropriation of earned surplus)	
I Unappropriated earned surplus	45,323
II Appropriated profits	
Dividends (*)	9,248
Bonus payments to directors	370
III Profit carried forward	35,705

(*) Dividends for the 117th term are 12 yen per share

Non-consolidated Statement of Shareholders' Equity

Financial year from 1 April 2006 to 31 March 2007

(In millions of yen)

	Shareholders' equity							Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus			Earned surplus	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities, net of taxes	
		Capital reserve	Other capital surplus	Total capital surplus					
Balance as of 31 March 2006	125,167	51,407	30,684	82,092	45,323	-7,695	244,887	22,431	267,319
Amounts of changes during the period									
Distribution of surplus*					-9,248		-9,248		-9,248
Officer's bonus*					-370		-370		-370
Net profit					19,574		19,574		19,574
Acquisition of treasury stocks						-123	-123		-123
Disposal of treasury stock			356	356		481	837		837
Net amount of change during the period for non-stockholder-capital items								-3,524	-3,524
Total amount of change during the period	—	—	356	356	9,956	357	10,670	-3,524	7,146
Balance as of 31 March 2007	125,167	51,407	31,041	82,448	55,279	-7,337	255,557	18,907	274,465

* This is a profit distribution item decided at the regular shareholders' meeting held in June 2006.

[Non-consolidated financial statements]

These non-consolidated financial statements follow the provisions of Ministry of Finance (MoF) Ordinance No.59 (1963) entitled “The Rules for Terms, Formats, and Preparation Method of Financial Statements” (“Rules for Consolidated Financial Statements”) and also comply with the provisions stipulated in Articles 2 of said ordinance. In addition, they are compiled in accordance with Prime Ministerial and MoF Ordinance No.32 (1998) entitled “Cabinet Office Ordinance for Securities Companies” and the resolution entitled “The Unification of Securities Business Accounting” adopted by the Japan Securities Dealers Association on 14 November 1974.

[Basic Important Matters for Preparation of Non-consolidated Financial Statements]

1. Valuation method for securities

(1) Valuation method for securities classed as trading products (securities held for trading purpose):

Securities and derivative contracts classed as trading products are recorded at present market value.

(2) Valuation method for securities not classed as trading products:

1) Shares of subsidiaries and affiliates

The cost method by the moving-average method is used.

2) Other securities

a) Securities, etc. that have market values:

The present market value is recorded on the non-consolidated balance sheets and differences between this and acquisition cost is incorporated into the net assets in full. The selling price is based on the moving-average cost method.

b) Securities, etc. that have no market values

Valued using the moving-average cost method.

Moreover, with regard to contributions to limited liability unions of the investment industry and similar unions (according to Article 2, Paragraph 2 of the Securities and Exchange Law, such contributions are regarded as negotiable securities), we use, as the acquisition price, the value of our holdings of union assets as designated on the union’s most recent statement of accounts that we are able to obtain as of the day - stipulated in the union contract - on which the latest statement of accounts is reported. With regard to profit and loss obtained from the operations of the union, etc., we use a method whereby we record the value of our holdings under profit and costs.

2. Depreciation methods used for fixed assets

(1) Tangible fixed assets

The fixed-percentage method is mainly used.

However, buildings acquired after 1 April 1998 (excluding the equipment, etc. they contain) are depreciated using the straight-line (fixed amount) method.

(2) Intangible fixed assets and long-term prepaid expenses

The straight-line method is used.

Moreover, software for our own use is depreciated using a straight-line method with the fixed amount of depreciation being determined by the duration of its potential internal use (up to 5 years).

3. Method of handling deferred assets

The entire cost of issuing corporate bonds is handled as a cost at the time that it occurs.

4. Accounting standards for reserves and allowances

(1) Allowance for bad debts

In preparation for loss from bad debt in loans receivables, etc., the recoverable possibilities of general receivables are reviewed based on the ratio of past uncollectibles and those of specific receivables including the ones that are likely to become bad debts are individually reviewed, so that the irrecoverable amount can be estimated.

(2) Reserve for bonus

To prepare for the payment of bonuses to employees, we calculated the estimated value of future payments and charged this obligation to this year.

(3) Reserve for directors' bonus

To prepare for the payment of bonuses to directors, we calculated the estimated value of future payments and charged an appropriate portion of this obligation to the year.

(4) Reserve for point service

To prepare for the cost burden for use of the "Shinko Point Service" in the future, the expected required amount is calculated for this term based on the usage rate.

"Shinko Point Service" commenced from October of 2006; and, the rational usage rate cannot be calculated; therefore, the amount reported for the end of this period is the amount equivalent to the total points given out to customers.

(5) Reserve for affiliate reorganization loss

In line with the commencement of closing procedures for Shinko Securities (Europe), the estimated amount of the cost burden involving office closing will be posted.

(6) Reserve for retirement benefits

To prepare for the payment of employee pensions, the difference between the value of such obligations and the total value of our pension assets at the end of this financial year was estimated, and the portion of the additional shortfall considered to have arisen in this year was charged to this year.

Past service liabilities are regarded at any time as being a number of years (10 years) that fall within the average number of years' service remaining for each employee. These liabilities are amortized and charged to this year for which it was calculated using the straight-line method.

Actuarial gains and losses are also charged after amortizing by the straight-line method a number of years (10 years) that fall within the average number of years' service remaining for each employee. These charges are recorded in the following financial year.

(7) Reserve for directors' retirement benefits

In preparation for the payment of retirement benefits for directors, the necessary funds for the end of period will be appropriated in accordance with the regulation.

(8) Reserve for executive officers' retirement benefits

In preparation for the payment of retirement benefits for executive officers, the necessary funds for the end of term will be appropriated in accordance with the regulations.

(9) Reserve for securities transaction liabilities

In order to provide against losses resulting from securities trouble, we set aside, in accordance with the provisions in Article 51 of the Securities and Exchange Law, an amount calculated based on the provisions in Article 35 of "Cabinet Office Ordinance for Securities Companies".

5. Handling of lease transaction

In the case of finance leases where ownership is not deemed to have passed to the lessee, normal accounting procedures for leases are followed.

6. Method of hedge accounting

In order to hedge our exposure to cash flow fluctuations caused by borrowing at variable interest rates, we enter into interest rate swap contracts. These are handled on a case-by-case basis.

7. Accounting for consumption tax, etc.

The tax exclusion method is applied.

[Change in Accounting Method]

1. Reserve for directors' bonus

From this period onward, "Accounting Standard for Directors' Bonus (Accounting Standards Board Statement No.4, 29 November 2005)" will be applied.

With this change, operating profit, current profit and net profit before taxes and adjustments all have decreased 282 million yen in comparison to the calculation by conventional methods.

2. Reserve for directors' retirement benefits

From this period onward, "Audit Handling Concerning Reserve on Special Taxation Measures Law, Statutory Reserve, Other Reserves or Reserve for Directors' Retirement Benefit" (Audit and Assurance Committee Report No.42, 13 April 2007) is applied.

With this change, operating profit and current profit have decreased 106 million yen each, and net profit before taxes and adjustments have decreased 331 million yen in comparison to the calculation by conventional methods.

With the application of the above report (Audit and Assurance Committee Report No.42, 13 April 2007) reserve for executive officers' retirement benefits that had previously been included in the accrued retirement benefits, were separately budgeted from this period. Reserve for executive officers' retirement benefit that had been included in the accrued retirements benefit category in the last term were 644 million yen.

3. Accounting standards related to items listed in net assets section of balance sheets

From this period onward, the standards that apply are: "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Corporate Accounting Standards No. 5, 9 December 2005), and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Guidance No. 8, 9 December 2005). Moreover, the amount that corresponds to the total in the "Capital" section before application of these standards is 274.465 billion yen.

[Notes on non-consolidated balance sheets]

	Financial year to 31 March 2007	Financial year to 31 March 2006 (In millions of yen)
1. Accumulated depreciation of tangible fixed assets	6,445	6,412
2. Guarantee obligations	16,837	23,922
(guarantee exercise anticipated)	(16,752)	(23,809)

In accordance with Report No.61 of the Auditing Committee of the Japanese Institute of Certified Public Accountants entitled "Auditing Procedures Concerning the Accounting for and Presentation of Guarantee Obligations and Similar", we recognize that we bear effective responsibility for guaranteeing our obligations and therefore provide a footnote giving details of these obligations.

3. Subordinated borrowings

Among our long-term borrowings (including those that mature within one year), there are the following subordinated obligations (borrowings with special subordinating conditions) as defined in Article 2 of Cabinet Office Ordinance No.23 (2001) entitled "Orders Concerning the Capital Adequacy of Securities Companies".

	Financial year to 31 March 2007	Financial year to 31 March 2006 (In millions of yen)
Corporate bonds	13,000	-
Long-term borrowings (incl. those that mature within one year)	40,050	41,250

Summary of Consolidated Financial Statements for the Year Ended March 2007
Shinko Securities (8606)

[Notes on non-consolidated statement of income]

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006 (In millions of yen)
Extraordinary profits		
Profit from sale of investment securities	4,442	1,266
Software licensing fees	859	1,800
Profit from switchover of retirement benefits payment system	—	240
Profit from recovery of bad debts	—	435
Reversal from reserve for securities transaction liabilities	242	—
Reversal from allowance for bad debts	234	316
Extraordinary losses		
Loss from disposition of fixed assets	171	151
Loss from sale of investment securities	21	16
Write-down of investment securities	293	54
Write-down of shares of affiliates	—	1,100
Write-down of golf club memberships	—	3
Contribution to securities market foundation building fund	—	109
Loss from change in IT system	615	601
Provision of reserve for past directors' retirement benefits	224	—
Provision of reserve for affiliate reorganization loss	536	—
Provision of reserve for securities transaction liabilities	—	100
Provision of allowance for bad debts	21	18

[Notes on consolidated statement of shareholders' equity]

Financial Year Ended 31 March 2007 (1 April 2006 - 31 March 2007)

Matters related to type and quantities of treasury stock

	Shares at end of previous year (x 1,000)	Shares increased in this year (x 1,000)	Shares decreased in this year (x 1,000)	Shares at end of this year (x 1,000)
Treasury stock				
Common stock	40,437	243	2,508	38,172
Total	40,437	243	2,508	38,172

(Notes)

1. Treasury stock that is common stock increased by 243,000 shares. This increase resulted from the purchase of less than a full trading unit of shares.
2. Treasury stock that is common stock decreased by 2.508 million shares. A decrease of 15,000 shares resulted from a request to increase a purchase of shares comprising less than a full trading unit, while a decrease of 2.493 million shares resulted from the exercising of stock option rights

Data on Non-consolidated Settlement of Accounts

1. Commissions and fees received

(1) Breakdown for each account (In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006	% change from previous year
Brokerage commissions	35,357	54,649	64.7
(Equities)	(35,175)	(54,451)	(64.6)
(Bonds)	(117)	(134)	(87.2)
Underwriting & selling fees	8,234	7,489	110.0
(Equities)	(7,098)	(6,416)	(110.6)
(Bonds)	(1,119)	(1,073)	(104.3)
Offering & selling fees and commissions	18,925	16,385	115.5
Other fees and commissions	20,153	15,029	134.1
Total	82,670	93,553	88.4

(2) Breakdown for each product (In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006	% change from previous year
Equities	42,830	61,300	69.9
Bonds	2,076	2,396	86.6
Beneficiary securities	28,290	23,046	122.8
Others	9,472	6,809	139.1
Total	82,670	93,553	88.4

2. Trading profit or loss (In millions of yen)

	Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006	% change from previous year
Equities	8,033	15,449	52.0
Bonds, others	33,864	30,397	111.4
(Bonds)	(37,059)	(31,830)	(116.4)
(Others)	(-3,195)	(-1,433)	(—)
Total	41,897	45,846	91.4

Summary of Consolidated Financial Statements for the Year Ended March 2007
Shinko Securities (8606)

3. Volume of equity trading (except for futures contracts) (In millions of shares/millions of yen)

	Financial year from 1 April 2006 to 31 March 2007		Financial year from 1 April 2005 to 31 March 2006		% change from previous year	
	No. of shares	Total value	No. of shares	Total value	No. of shares	Total value
Total	11,660	15,678,124	14,129	14,490,476	82.5	108.2
(Dealing)	(4,108)	(3,373,338)	(2,654)	(3,177,843)	(154.8)	(106.2)
(Brokerage)	(7,551)	(12,304,786)	(11,474)	(11,312,632)	(65.8)	(108.8)
Brokerage ratio	64.8%	78.5%	81.2%	78.1%		
Shares of total for TSE	0.88%	0.78%	1.06%	1.01%		

4. Volume of underwriting, offering, and selling (In millions of shares/millions of yen)

			Financial year from 1 April 2006 to 31 March 2007	Financial year from 1 April 2005 to 31 March 2006	% change from previous year
Underwritten	Equities	(No. of shares)	72	39	183.7
	Equities	(Total value)	155,937	154,812	100.7
	Bonds	(Total at face value)	958,915	1,542,430	62.2
	Commercial paper, foreign instruments, etc.	(Total at face value)	5,045,879	2,390,193	211.1
Offered and sold*	Equities	(No. of shares)	72	42	170.7
	Equities	(Total value)	163,250	161,578	101.0
	Bonds	(Total at face value)	1,104,200	1,796,864	61.5
	Beneficiary securities	(Total at face value)	3,616,902	3,615,706	100.0
	Commercial paper, foreign instruments, etc.	(Total at face value)	5,090,591	2,390,908	212.9

* Includes volume sold and volume privately placed.

5. Capital adequacy requirement ratio (In millions of shares/millions of yen)

		As of 31 March 2007	As of 31 March 2006
Basic items	Total capital (A)	246,282	235,269
Supplemental items	Difference in valuation (valuation revenues) of other securities, etc.	18,907	22,431
	Reserve for securities transaction liabilities, etc.	879	1,121
	Allowance for bad debts	106	392
	Subordinated long-term debt	18,000	—
	Subordinated short-term debt	35,050	41,250
	Total (B)	72,943	65,195
Deducted assets	(C)	98,370	94,626
Equity after deduction	(A)+(B)-(C) (D)	220,855	205,838
Amount equivalent to risk	Amount equivalent to market risk	19,369	20,618
	Amount equivalent to customer risk	6,678	7,987
	Amount equivalent to fundamental risk	25,607	22,926
	Total	51,654	51,532
Capital adequacy requirement ratio	(D)/(E)*100	427.5%	399.4%

(Reference)

Quarterly Changes in Consolidated Statement of Income

(In millions of yen)

	Fourth quarter of previous financial year	First quarter of current financial year	Second quarter of current financial year	Third quarter of current financial year	Fourth quarter of current financial year
Operating revenues	41,325	31,243	29,797	35,402	41,070
Commissions and fees received	26,966	21,277	18,310	20,585	22,497
Brokerage commissions	15,117	10,136	7,333	8,292	9,595
(Equities)	(15,051)	(10,093)	(7,268)	(8,253)	(9,559)
(Bonds)	(50)	(26)	(53)	(21)	(15)
Underwriting & selling fees	2,233	1,798	2,040	2,237	2,157
(Equities)	(1,815)	(1,411)	(1,778)	(1,971)	(1,936)
(Bonds)	(418)	(387)	(261)	(266)	(204)
Offering & selling fees and commissions	4,617	4,421	4,439	4,560	5,503
Other fees and commissions	4,997	4,919	4,497	5,494	5,242
Trading profit or loss	12,852	8,215	8,090	11,408	14,183
Equities	3,524	1,236	770	3,237	2,789
Bonds, others	9,328	6,978	7,320	8,171	11,393
(Bonds)	(8,765)	(6,254)	(8,954)	(10,347)	(11,503)
(Others)	(562)	(724)	(-1,634)	(-2,175)	(-109)
Financial revenues	1,506	1,750	3,396	3,408	4,389
Financial expenses	1,018	1,265	2,566	2,875	3,447
Net operating revenues	40,307	29,977	27,230	32,526	37,623
Selling, general and administrative expenses	27,738	25,657	24,228	26,463	28,552
Transaction expenses	3,426	3,339	3,713	3,939	3,845
Personnel expenses	13,572	12,360	10,953	11,760	13,238
Real estate expenses	3,583	3,441	3,502	3,451	3,640
Office expenses	3,802	3,168	3,282	4,003	3,736
Depreciation	2,165	2,348	1,897	2,552	2,741
Taxes and dues	296	284	254	244	291
Others	891	713	624	510	1,060
Operating profit	12,568	4,320	3,002	6,062	9,070
Non-operating revenues	1,016	2,127	564	277	1,046
Non-operating expenses	138	29	302	44	238
Ordinary profit	13,447	6,417	3,263	6,296	9,878
Extraordinary profits	556	384	925	2,930	1,536
Extraordinary losses	1,952	25	670	104	1,085
Net profit before taxes, etc.	12,051	6,776	3,519	9,123	10,330
Income taxes	6,950	30	1,220	1,640	5,144
Adjustment amount for income taxes	-2,449	2,015	-4	1,369	-1,240
Net profit	7,550	4,731	2,303	6,113	6,426

VI. Others

Changes Among Officers

Information concerning the assignment of officers was disclosed on 19 March 2007.